

## Memorandum

*Flex your power!  
Be energy efficient!*

**To:** LARRY ORCUTT  
Acting Chief  
Division of Equipment

**Date:** October 9, 2012

**File:** P3000-0405

BIJAN SARTIPI  
District Director  
District 4

MICHAEL MILES  
District Director  
District 7

BASEM MUALLEM  
District Director  
District 8

**From:** WILLIAM E. LEWIS  
Assistant Director  
Audits and Investigations



**Subject: Final Audit Report – Home Storage Permit Program**

Attached is Audits and Investigations' final audit report on the Home Storage Permit Program. Your response has been included as part of our final report.

Please provide our office with status reports on the implementation of your audit finding dispositions 60-, 180-, and 360-days subsequent to the report date. If all findings have not been corrected within 360-days, please continue to provide status reports every 180-days until the audit findings are fully resolved.

We thank you and your staff for their assistance provided during this audit. If you have any questions or need additional information, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or myself at (916) 323-7122.

Attachment

c: Laurine Bohamera, Chief, Internal Audits, Audits and Investigations  
Premjit Rai, Deputy District Director, Administration, District 4  
Duncan McIntosh, Deputy District Director, Administration, District 7  
Susan Harris, Deputy District Director, Administration, District 8  
Adele Madariaga, Chief, Office of Administration, Division of Equipment  
Kevin Yee, Audit Manager, Internal Audits, Audits and Investigations

|                                    |
|------------------------------------|
| <b>P3000-0405</b>                  |
| <b>Home Storage Permit Program</b> |
| <b>October 2012</b>                |

**William E. Lewis**  
**Acting Assistant Director**  
**Audits & Investigations**  
**California Department of Transportation**

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## **Summary**

Audits and Investigations has completed an audit of the California Department of Transportation's (Caltrans) Home Storage Permit (HSP) Program. The purpose of the audit was to evaluate the adequacy of internal controls over the HSP Program to determine whether Caltrans is in compliance with the established HSP policies, procedures and guidelines.

Our audit disclosed that Caltrans has developed guidelines for the use of HSP holders and implemented an automated HSP system to track and monitor home storage permits and the Personal Use of State Vehicles One -Way and/or Round Trip (PM-0041) forms. Our audit determined that generally these guidelines are adequate, except for the following:

- Control Weaknesses in the HSP Program.
- Inadequate Tracking of Vehicles Stored at Home.
- Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form Procedures Not Consistently Followed.
- Cartags Procedures Not Consistently Followed.
- Permits Not Justified.
- Control Weaknesses in District 7 Maintenance.
- Inadequate Record Keeping and Monitoring in District 8.

## **Background**

The Division of Equipment (DOE) oversees the administration of State vehicle use for Caltrans and develops, publishes, maintains, and oversees the administration of the HSP Guidelines and monitors for statewide adherence to policies and procedures. HSPs are required where, in the course of State business, it is cost beneficial and in the best interest of the State to allow an employee to park a State vehicle in a secured location at or near the employee's home. Permits are issued for the following reasons:

- Call-outs to respond to incidents and emergencies.
- Cost savings to the State.
- Increased operations efficiency.

Home Storage is defined as storing any State vehicle at an employee's home or in the immediate vicinity thereof for more than 72 nights over a 12-month period or for more than 36 nights over a three-month period. Nights need not be consecutive and include weekends.

DOE has a Statewide HSP Coordinator whom acts as the administrator of the HSP Program. The Statewide HSP Coordinator's responsibilities include:

- Coordinating HSP activities within Caltrans and with external agencies.
- Providing quarterly reports to District/Division HSP Coordinators.

**Background  
(continued)**

- Researching and providing background information on reported misuses of HSPs to management.

In addition, within each District, there are designated District HSP Coordinators who are responsible for:

- Coordinating HSP activities with the Statewide HSP Coordinator.
- Investigating reported misuse of HSPs.
- Ensuring PM-0041 forms are submitted to the Division of Accounting.

Each supervisor is responsible for providing first level approval of HSPs and PM-0041 forms; managing and supervising employee use of State vehicles; reviewing the continued need and promptly cancel HSPs that no longer meet required criteria. Each employee is responsible for the proper use of State vehicles, storing a State vehicle at a secured location, and completing and submitting a PM-0041 form to their supervisor by the last day of each month.

The prior audit of HSP in February 2009 determined that the overall administration of the HSP Program needed improvement. Specifically, the audit found that controls over permit issuance were inadequate, permit issuance was questionable, noncompliance with PM-0041 reporting requirements, and weaknesses over the recording and management of vehicle usage.

In July 2009, Caltrans issued the Vehicle Home Storage Permit (VHSP) Guidelines and implemented the HSP Automated System. The VHSP Guidelines documented the policies and procedures over the HSP Program. The HSP system automates the permit application process and the PM-0041 reporting process. Permits automatically expire at the end of the fiscal year and permit requests are submitted by the employee. A HSP becomes active only after receiving approvals from employee's supervisor, Deputy District Director, and District Director for each permit.

Subsequent to our field work, DOE revised the VHSP Guidelines and on April 1, 2012 implemented significant improvements to the VHSP system. Some of the changes to the VHSP guidelines included changing the VHSP cycle from fiscal year to calendar year; defining employees and supervisors responsibilities; and clarifying required information to be reported in Cartags. In addition, DOE has taken an active role in the review of the VHSP applications submitted by the Districts. DOE has taken a pro-active approach in managing HSPs by reducing the number of active HSPs from 1,062 (FY 2011) to 421 (FY 2013).



## **Objectives, Scope and Methodology**

The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing. The objectives of the audit were to determine whether:

- The HSP Program has adequate policies, procedures and guidelines in place.
- Policies, procedures, and guidelines are clearly communicated to those who have responsibility in the process.
- Permit issuance is in compliance with the criteria specified in the VHSP Guidelines.
- Permits are warranted, current and justified on an on-going basis.
- Permits are updated or revoked when circumstances change.
- Fleet users are in compliance with PM-0041 form requirement.
- Fleet users are in compliance with HSP policies, procedures and guidelines.
- Permits are properly monitored and administered within Caltrans.

The audit covered the period of July 2010 through June 2011 and focused on internal controls and procedural compliance as they relate to the HSP Program. Our audit included a review of DOE's HSP policy and procedures. Additionally, we judgmentally selected HSPs in Districts 4, 7, and 8 for testing of compliance with HSP policy and procedures. The audit was performed between September 21, 2011 and January 24, 2012. Changes after January 24, 2012, were not tested and, accordingly, our conclusion does not pertain to changes arising after this date.

## **Conclusion**

Our audit found that Caltrans has made significant improvements within the HSP Program through the procedures documented in the VHSP Guidelines and the implementation of the HSP system. However, our audit disclosed the following:

- Control Weaknesses in the HSP Program.
- Inadequate Tracking of Vehicles Stored at Home.
- PM-0041 Procedures Not Consistently Followed.
- Cartags Procedures Not Consistently Followed.
- Permits Not Justified.
- Control Weaknesses in District 7 Maintenance.
- Inadequate Record Keeping and Monitoring in District 8.

**Views of  
Responsible  
Officials**

We have requested and received responses from the Acting Chief of DOE and from the Deputy District Director of Administration in Districts 4, 7, and 8 for the District specific findings. These officials have, in general, acknowledged the findings and recommendations. Please see attachments for complete responses.

A handwritten signature in blue ink, appearing to read "William E. Lewis", with a long horizontal flourish extending to the right.

**WILLIAM E. LEWIS**  
**Acting Assistant Director**  
**Audits and Investigations**

**August 10, 2012**

## FINDINGS AND RECOMMENDATIONS

### STATEWIDE

#### **Finding 1 - Control Weaknesses in the Home Storage Permit Program**

Our audit of the Home Storage Permit (HSP) Program identified the following control weaknesses:

- There are no specific procedures for HSP holders with leased/rental vehicles. The Division of Equipment (DOE) requires vehicle usage information on a monthly basis for leased/rental vehicles but the requirements are not in the Vehicle Home Storage Permit (VHSP) guidelines.
- Renewing HSP holders are not submitting their request for new HSP permits in a timely manner. Our review of 42 HSP holders determined that the requests are submitted an average of 39 days after the expiration of the previous permit.
- Our review of Cartags entries for a sample of 32 vehicles used by HSP holders found that 13 permit holders did not indicate if their vehicle was stored at home.

The VHSP Guidelines state that *"DOE is responsible for administering the use of State-owned or commercially leased vehicles at the Department."*

The VHSP Guidelines page 3 states that *"State-owned vehicle is any motor vehicle as defined by California Vehicle Code Section 4.5, owned by the State. Such motor vehicles leased or rented by the State are also included in this definition for the purposes of these guidelines."*

The VHSP Guidelines page 13 states that *"Car Tags must be completed at least once a week so that they are kept current. User must enter a Car Tag for each day the vehicle was driven."*

California Code of Regulations (CCR) section 599.807 (a) states that a travel log is required for all State-owned vehicles and must include the following information: a record of daily mileage traveled, date and time of travel, itinerary, information regarding overnight storage and identity of the driver.

The VHSP Guidelines do not cover the topic related to leased/rental vehicles and the renewal of HSP permits; and is not clear on the Cartag storage location requirements.

Without procedures for leased/rented vehicles, the vehicle operator is not aware of what information is required and how it should be captured for vehicle usage. Specifically, the vehicle usage cannot be entered into Cartags without a State equipment ID, and an equipment ID for the Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form (PM-0041).



**Finding 1 –  
(continued)**

Delays in obtaining a HSP could result in vehicle operators exceeding the 36 nights over a three-month period limit requiring a HSP.

Cartags will not be a reliable monitoring tool for the HSP program without accurate overnight storage information.

**Recommendation**

We recommend that DOE:

- Update the VHSP Guidelines to include procedures for leased/rented vehicles.
- Revise the VHSP Guidelines to reflect that HSP holders may renew their HSP two months prior to its expiration date.
- Update the Cartags website with better instruction or procedures on completing the storage location to identify home storage.

**Division of  
Equipment's  
Response**

In March 2012, DOE revised the VHSP Guidelines with instructions that VHSP holders can renew their VHSP 60 days in advance of the new calendar year, and DOE updated the Cartags website with instructions for the "Overnight Storage Location" of vehicles. In addition, the proper use of leased/rented vehicles will be included in the "Use of State Vehicles" Memo or Policy from the Director's Office.

**Finding 2 -  
Inadequate  
Tracking of  
Vehicles Stored  
at Home**

Our meetings with District HSP Coordinators and requests for vehicle home storage logs in three districts determined that there are not adequate processes or procedures to track home storage of vehicles for the following reasons:

- Five out of the seven HSP Coordinators were not aware that there were procedures to record when employees without a HSP take vehicles home. These procedures are used to monitor the HSP requirement of 72 nights over a 12 month period or 36 nights over any 3 month period for an employee.
- Cartags information is incomplete and the data for overnight storage is inconsistent. Maintenance vehicles over ½ ton Gross Vehicle Weight Rating are not recorded in Cartags and leased vehicles are not subject to the requirement of Cartags. As noted in Finding 1, our testing of HSP holders for Cartags entries determined that 13 of 32 holders did not indicate if vehicles were stored at home.
- Manual PM-0041s are not consistently prepared. Employees taking vehicles home without an active HSP are required to prepare manual PM-0041s to send directly to Division of Accounting (DofA). We found that nine out of nine renewing HSP holders did not submit manual PM-0041s to DofA, but had taken vehicles home.

**Finding 2 –  
(continued)**

Deputy Directive (DD)-28-R3, Vehicle Home Storage Permits, states that *“Home Storage Permits is defined as storing any State vehicle at an employee’s home or in the immediate vicinity thereof for more than 72 nights over a 12-month period or for more than 36 nights over a three-month period...Supervisor Responsibilities: manage and supervise employee use of State vehicles in a manner consistent with this Deputy directive, the HSP guidelines, and other related documents.”*

The VHSP Guidelines page 11 states *“Supervisors are also required to record when employees without a HSP take vehicles home in order to monitor the 72 nights over a 12 month period or 36 nights over any 3 month period.”*

CCR section 599.807 (a) states that a travel log is required for all State-owned vehicles and must include the following information; a record of daily mileage traveled, date and time of travel, itinerary, information regarding overnight storage and identity of the driver.

Supervisors are not adequately tracking when employees are taking vehicles home. In addition, there are no guidelines as far as how the information is tracked whether through manual logs, Cartags, or PM-0041. Without a proper way to determine how often vehicles are home stored, the number of maximum home storage nights could be exceeded without requesting a HSP.

Individuals without HSPs may not be aware that they are subject to some of the requirements in the VHSP guidelines, therefore; they may be out of compliance with Internal Revenue Service (IRS) and Department of General Services (DGS) requirements.

Division of Maintenance is out of compliance with CCR 599.807 requirements.

**Recommendation**

We recommend DOE revise the VHSP Guidelines and DD-28-R3 to include specific procedures on how and what supervisors should document when employees without a HSP take vehicles home, to ensure that they do not exceed 36 nights over any 3 month period or 72 nights over a 12 month period.

**Division of  
Equipment’s  
Response**

DOE does not agree to revising the VHSP Guidelines and DD-28-R3, but will include the recommended procedures for the proper use of State owned vehicles, including leased or rented vehicles in the “Use of State Vehicles” Memo or Policy that will be issued.

## DISTRICT SPECIFIC

### **Finding 3 - Personal Use of State Vehicle One- Way Commuting and/or Round Trip Form Procedures Not Consistently Followed**

IRS regulations generally consider the value of personal use of State-owned vehicles as taxable income, which must be reported to the State Controller's Office. As such, the HSP Guidelines state that daily home to work travel via State-owned or leased vehicles, when not on per diem, shall be reported on the PM-0041 form monthly. HSP holders must submit the PM-0041 electronically through the HSP system and non-HSP holders must complete the manual PM-0041 and send it directly to DofA. HSPs are not active until approved by the supervisor, District Deputy Director, and District Director.

Our testing of the PM-0041s for 45 permit holders in District 4, 7, and 8 for our audit period of July 1, 2010 through June 30, 2011 identified the following:

- 32 required PM-0041s were not completed in the HSP system consisting of:
  - 5 from District 4
  - 5 from District 7
  - 22 from District 8
- 55 out of 383 PM-0041s were missing supervisor approval consisting of:
  - 27 from District 4
  - 3 from District 7
  - 25 from District 8
- 270 out of 383 PM-0041s were submitted late consisting of:
  - 74 from District 4 with an average of 54 days
  - 153 from District 7 with an average of 29 days
  - 43 from District 8 with an average of 58 days

IRS, Treasury Section 1.61-21 considers the use of an employer-provided automobile as a taxable fringe benefit.

In addition, the VHSP Guidelines state that all HSP permit holders are required to complete and submit the PM-0041 by the last working day of each month to their supervisors and the supervisors are responsible for ensuring that the form is completed accurately and signed by the employee by the third calendar day of the subsequent month.

These conditions are due to poor monitoring of HSP applicants' compliance with guidelines by supervisors and management.

Noncompliance with the Personal Use of State Vehicle reporting requirements exposes Caltrans to potential findings by the IRS as Caltrans has oversight responsibilities over reporting. A HSP allows the permit holder to commute in a departmental vehicle that is maintained and fueled at Caltrans's expense. The cost of providing the vehicle for personal

**Finding 3 –  
(continued)**

commute far exceeds the permit holder's obligation to pay tax on \$1.50 per one-way commute or on \$3.00 per round trip. The permit holder's personal financial benefit and the lack of enforcement of PM-0041s increase the incentive for the improper use of an HSP.

**Recommendation**

District 4, 7, and 8 HSP supervisors and managers should ensure that PM-0041s are completed and approved by the third calendar day of the subsequent month.

**District 4, 7, and 8  
Responses**

District 4, 7, and 8 responded that they will issue a memo to all HSP Coordinators, Supervisors, and Managers regarding timely completion and approval of PM-0041s.

**Finding 4 -  
Cartags Procedures  
Not Consistently  
Followed**

Caltrans uses the Cartags system to track vehicle usage as required by the CCR section 599.807 and the State Administrative Manual section 4107. The vehicle use information that is required to be tracked daily is: a record of daily mileage traveled, date and time of travel, itinerary, information regarding overnight storage and identity of the driver.

We tested Cartags entries of 43 active HSP holders in District 4, 7, and 8 based on the vehicle ID of the HSP holder's PM-0041 and identified the following:

- 11 out of 43 vehicles were not in Cartags system consisting of:
  - 3 from District 4
  - 6 from District 7
  - 2 from District 8
- Of the remaining 32 vehicles with Cartags entries, we could not verify 13 vehicles were stored at home consisting of:
  - 6 from District 4
  - 2 from District 7
  - 5 from District 8

CCR section 599.807 (a) states that a travel log is required for all State-owned vehicles and must include the following information; a record of daily mileage traveled, date and time of travel, itinerary, information regarding overnight storage and identity of the driver.

The following are causes for the finding:

- Lack of written instructions on how to record information in Cartags system.
- Division of Maintenance staff enters vehicle usage information into the Integrated Maintenance Management System (IMMS) and feels that entering information into Cartags would be duplicative. However, IMMS does not capture all the information as required by regulation.

**Finding 4 –  
(continued)**

- Poor monitoring of HSP applicants' compliance with guidelines by supervisors.

Failure to enter vehicle usage information into Cartags could result in further fleet reduction as these vehicles may be classified as under-utilized by the Department of General Services.

**Recommendation**

District 4, 7, and 8 HSP supervisors should ensure that usage information is entered into Car Tags by permit holders.

**District 4, 7 and 8  
Responses**

District 4, 7 and 8 responded that they will issue a memo to all HSP holders and supervisors regarding proper completion of Cartags entries and supervisor review.

**Finding 5 -  
Permits Not  
Justified**

Caltrans issues three types of HSPs: Type A, B and C:

- Type A permits are issued for the purpose of minimizing Caltrans response time for after-hours incidents or emergencies on the highway system.
- Type B permits are issued for predictable or long term work commutes when there is a cost benefit to the State.
- Type C permits are issued for the purposes of increased efficiencies or unpredictable work commutes where the assembly or reporting site is different from the work site, and there is a benefit to the State.

Type A Permits

We reviewed a total of 26 Type A permits to determine if the permits were justified. Our audit results determined that 11 of the 26 permit holders did not have a justified or documented need for the permits as follows:

- District 4 – 2 out of 6 Type A permits
- District 7 – 5 out of 13 Type A permits
- District 8 – 4 out of 7 Type A permits

Conditions noted for questionable permits include:

- Permit holders did not submit the Schedule of Log of Emergency Trips (DM-0090) to substantiate the need for a Type A permit.
- Permit holders did not meet the minimum number of 12 emergency call outs per year.
- Emergency call outs were not within the 25 mile zone of control as required.
- Permit holders were issued the wrong type of permit.
- Call outs documented on the DM-0090 were deemed non-emergency in nature.



**Finding 5 -  
(continued)**

The requirement for the Type A permit in the VHSP Guidelines requires response to at least 12 emergency call outs. The call outs must be recorded on the DM-0090 or an electronic call out log. Additionally, the guidelines require that the home of the Type A permit holder must be within 25 miles of their zone of control.

Type B Permits

We reviewed a total of 11 Type B permits to determine if the permits were justified. Our audit results determined that 5 of the 11 permit holders did not have a justified or documented need for the permits as follows:

- District 4 – 1 out of 2 Type B permits
- District 7 – 2 out of 7 Type B permits
- District 8 – 2 out of 2 Type B permits

Conditions noted for questionable permits include:

- Permit holders were issued the wrong type of permit.
- The recalculations performed by the auditor of the Cost Benefit Analysis (CBA) based on the employee's work sites did not support the issuance of Type B permits.

Per VHSP Guidelines, in order to document fiscal cost savings to the State, a CBA is required for issuance of a Type B permit.

These conditions are caused by poor screening and monitoring of HSP applicants' compliance with guidelines by supervisors and management.

The number of permits and vehicles within Caltrans is being decreased significantly and the questionable issuance of permits will further compound the issue by limiting the number of permits available to applicants who legitimately need a permit in the course of their daily work. Additionally, the issuance of questionable permits is a waste and abuse of limited resources and may result in negative exposure of Caltrans.

**Recommendation** District 4, 7 and 8 HSP supervisors and managers should:

- Ensure that there is a legitimate and supportable need for permit issuance, including the accurate calculation of the CBA.
- Ensure that the proper type of permit is requested by employees.
- Ensure that documentation in support of permit issuance is being maintained.



**District 4, 7, and 8  
Responses**

District 4, 7, and 8 responded that they will issue a memo to all HSP Coordinators and Supervisors regarding verification of proper permit type, and a reminder that all documentation supporting the permits be recorded and maintained.

**Finding 6 -  
Control  
Weaknesses in  
District 7  
Maintenance**

During our audit, our discussion with District 7 Maintenance Management determined:

- Maintenance management was not aware that non-HSP holders are subject to the same Personal Use of State Vehicle reporting requirements as HSP holders.
- District 7 Maintenance rents pick-up trucks for employees when their trucks are in the repair shop for a period of several months. This has been done without informing DOE which needs to obtain DGS approval to rent vehicles when the rental period will exceed a one-week period.

Appendix D of the VHSP Guidelines states that *"The value of all personal use of State-owned or leased vehicles, unless noted in the PPM Section N129.13, is taxable income and must be reported on a monthly basis to the State Controller's Office using the Special Valuation Rule."* In addition, the *De Minimis Fringe Benefit-IRS Regulation 1.132-6(d)(3)* states that *"If an employee commutes in a State-owned or leased vehicle no more than once a month, the value is exempt from gross income."*

The State of California Fleet Handbook page 5 states that *"Vehicles or general use mobile equipment being rented or leased for more than one-week require OFAM approval...All requests shall be submitted with an OFA 6 from the local Inspector of Automotive Equipment and an OFA 160..."*

Maintenance believes that the PM-0041 needs to be prepared only with an active HSP. In addition, Maintenance considers ¾ ton pickups as road construction/maintenance equipment that are exempt from the OFAM requirement as the Fleet Handbook covers general use or passenger vehicles.

Noncompliance with the Personal Use of State Vehicle reporting requirements exposes Caltrans to potential findings by the IRS as the Caltrans has oversight responsibilities over reporting.

Maintenance is out of compliance with DGS requirements to report vehicle rentals exceeding a one-week period.

**Recommendation**

Maintenance management should inform employees and supervisors that PM-0041s need to be prepared if vehicles are home stored more than once a month even without a HSP. In addition, vehicle rentals exceeding the one-week period must be reported to DOE and receive DGS approval.

|  |  |
|--|--|
| <b>District 7's Response</b>   | District 7 responded that they will issue a memo to all employees, supervisors, and managers regarding timely completion and approval of a PM-0041 for non-HSP holders if the State vehicle is stored at home more than once a month. In addition, District 7 will inform DOE when utilizing the existing DGS approved Equipment Rental contract that includes pick-up trucks.   |
| <b>Finding 7- Inadequate Record Keeping and Monitoring in District 8</b> | <p>Three out of the seven Type A permit holders tested in District 8 submitted DM-0090s which contained the 12 minimum emergency call outs required. Out of these three permit holders, two submitted all the monthly DM-0090s on November 14, 2011 and they were approved by the supervisor on November 15, 2011. This submission and approval occurred during the period auditors were performing field work, and therefore, was not timely.</p> <p>Good business practices dictate that necessary forms be completed, signed, and approved in a timely manner and that a copy of such forms be retained.</p> <p>This condition is due to inadequate monitoring of HSP applicant's compliance with guidelines by supervisors.</p> <p>Without ongoing monitoring of the DM-0090, the supervisor cannot determine if the HSP holder has responded to the 12 minimum number of call outs required to substantiate the need for a Type A permit.</p> |
| <b>Recommendation</b>  | The supervisors should require the HSP holder to complete a DM-0090 on a monthly basis and submit for approval.  |
| <b>District 8's Response</b>   | District 8 responded that they will issue a memo to all HSP Coordinators and Supervisors regarding timely completion and monthly monitoring of DM-0090.  |
| <b>Audit Team</b>  | Laurine Bohamera, Chief, Internal Audits<br>Kevin Yee, Audit Manager<br>David Wong, Auditor-in-Charge<br>Veronica Kaldani, Auditor<br>Nancy Serrato, Auditor   |

**ATTACHMENT**

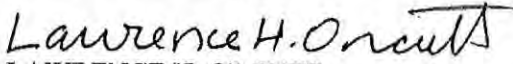
**DIVISION OF EQUIPMENT'S RESPONSE  
TO THE DRAFT REPORT**

## Memorandum

*Flex your Power!  
Be energy efficient!*

To: WILLIAM E. LEWIS  
Acting Assistant Director  
Audits and Investigations

Date: September 25, 2012

From:   
LAWRENCE H. ORCUTT  
Acting Chief  
Division of Equipment

Subject: Response to Draft Audit Report Vehicle Home Storage Permit

I am pleased to provide our response to Audits and Investigations' draft report entitled *P3000-0405 Home Storage Permit Program August 2012*.

As mandated by Section 20000 of the State Administrative Manual, this internal audit was performed for the 2010-2011 cycle. The resulting draft report yielded the following two findings in regards to the Vehicle Home Storage Permit Program:

*Finding 1 – Control Weaknesses in the Vehicle Home Storage Permit (VHSP) Program.*

*Finding 2 – Inadequate Tracking of Vehicle Stored at Home*

We have addressed both findings and the observation in the attached.

cc: Richard Land, Chief Deputy Director  
Steve Takigawa, Deputy Director, Maintenance and Operations  
Laurine Bohamera, Audits and Investigations  
Kevin Yee, Audit Supervisor, Audits and Investigations  
Adele Madariaga, Office of Budgets and Administration, Division of Equipment

**Division of Equipment  
Response to Audit Report  
P3000-0405 – Home Storage Permit Audit – August 2012**

**Finding 1 – Control Weaknesses in the Vehicle Home Storage Permit (VHSP) Program**

**Recommendation:**

We recommend that DOE:

- *Update the Vehicle Home Storage Permit (VHSP) Guidelines to include procedures for leased/rented vehicle.*
- *Revise the VHSP Guidelines to reflect that VHSP holders may renew their VHSP two months prior to its expiration date.*
- *Update the Cartags website with better instruction or procedures on completing the storage location to identify home storage permit.*

**DOE Response:**

- The VHSP Guidelines defines a state-owned vehicle as “any motor vehicle, as defined by California Vehicle Code Section 415, owned, leased, or rented by the State.” The recommended procedures for the proper use of leased/rented vehicle will be included in “Use of State Vehicles” Memo or Policy from the Director’s Office. DOE will coordinate the issuance of the “Use of State Vehicles” with the HQ Administration Program, with an estimated date of January 1, 2013.
  - DOE revised the VHSP Guidelines in March 2012. The revised VHSP Guidelines included the change of reporting requirement from a fiscal year to a calendar year. In addition, it also includes instructions for VHSP holders that they can renew their VHSP 60 days in advance of the new calendar year.”
  - DOE revised the Cartags website and instructions in March 2012. In addition to employee and vehicle information, the detailed instructions require the employee to indicate the “Overnight Storage Location” of the vehicle. VHSP holders are required to submit Cartags weekly for VHSP compliance.
-

## **Finding 2 – Inadequate Tracking of Vehicle Stored at Home**

### **Recommendation:**

*We recommend DOE revise the VHSP Guidelines and DD-28-R3 to include specific procedures on how and what supervisors should document when employees without a HSP take vehicles home, to ensure that they do not exceed 36 nights over any 3 month period or 72 nights over a 12 month period.*

### **DOE Response:**

DOE does not agree in revising the VHSP Guidelines and DD-28-R3 to include specific procedures on how and what supervisor should document when employees without VHSP take vehicles home, to ensure that they do not exceed 36 night over any 3 month period or 72 nights over a 12 month period. However, DOE will include the recommended procedures for the proper use of state owned vehicles including leased or rented on the “Use of State Vehicles” Memo or Policy.

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## **ATTACHMENT**

### **DISTRICT 4'S RESPONSE TO THE DRAFT REPORT**

## Memorandum

*Flex your power!  
Be energy efficient!*

To: WILLIAM E. LEWIS  
Acting Assistant Director  
Audits and Investigations

Date: September 11, 2012

From:   
BIJAN SARTIPI  
District Director  
District 4

Subject: **Response to Draft Audit Report on Home Storage Permit Program (P3000 – 0405)**

As a result of reviewing the draft audit report and participating in the exit conference, District 4 will be taking the following steps to address the findings of the audit.

### District 4 Work Plan

| Item  | Steps  | Completion Date  | Person(s) Responsible   |
|---|--|------------------|---|
| Personal Use of State Vehicle One - Way Commuting and / or Round Trip Form Procedures Not Consistently Followed | Distribute memo to all HSP Coordinators, Supervisors and Managers regarding timely completion and approval of PM – 0041.   | October 11, 2012 | Nader Eshghipour<br>DDD-Maintenance/<br>Sean Nozzari DDD-Operations / |
| Cartag Procedures Not Consistently Followed   | Distribute memo to all HSP holders and supervisors regarding proper completion of Cartags entry and supervisor review.   | October 11, 2012 | Nader Eshghipour<br>DDD-Maintenance/<br>Sean Nozzari DDD-Operations / |
| Permits Not Justified   | Distribute memo to all HSP Coordinators and Supervisors regarding verification of proper permit type. Also a reminder that all documentation supporting the permit are recorded and maintained | October 11, 2012 | Nader Eshghipour<br>DDD-Maintenance/<br>Sean Nozzari DDD-Operations / |

Progress reports providing feedback on the status of the work plan items will be provided 60-, 180-, and 360-day milestones.

If you have any questions or need additional information, please contact Premjit Rai, Deputy District Director of Administration at (510) 286-5894.

c: Dan McElhinney, Chief Deputy District Director, District 4  
Premjit Rai, Deputy District Director, Administration, District 4

William Lewis  
September 11, 2012  
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Nader Eshghipour, Deputy District Director, Maintenance, District 4  
Sean Nozzari, Deputy District Director, Operations, District 4  
Adam Steiger, Equipment Manager, Maintenance, District 4  
John Kirkpatrick, Administration Support Manager, Operations, District 4  
Damien Harris, Office Chief, Business Management, District 4  
Kevin Yee, Internal Audit Supervisor, Internal Audits, Audits and Investigations  
David Wong, Internal Audits, Audits and Investigations  
Nancy Serrato, Internal Audits, Audits and Investigations  
Veronica Kaldani, Internal Audits, Audits and Investigations

**ATTACHMENT**

**DISTRICT 7'S RESPONSE  
TO THE DRAFT REPORT**

## Memorandum

*Flex your power!  
Be energy efficient!*

To: WILLIAM E. LEWIS  
Acting Assistant Director  
Audits and Investigations

Date: September 26, 2012

From: TERRY L. ABBOTT  
Acting District Director  
District 7



Subject: **Response to Draft Audit Report on Home Storage Permit Program (P3000 – 0405)**

After reviewing the draft audit report and participating in the exit conference, District 7 will be taking the following steps to address the findings of the audit.

### District 7 Work Plan

| Item  | Steps   | Completion Date  | Person Responsible                         |
|---|---|------------------|--|
| Personal Use of State Vehicle One-Way Commuting and / or Round Trip Form Procedures Not Consistently Followed | Distribute memo to all HSP Coordinators, Supervisors and Managers regarding timely completion and approval of PM-0041.  | October 26, 2012 | Herby Lissade<br>Acting DDD<br>Maintenance |
| Cartag Procedures Not Consistently Followed   | Distribute memo to all HSP holders and supervisors regarding proper completion of Cartags entry and supervisor review.  | October 26, 2012 | Herby Lissade<br>Acting DDD<br>Maintenance |
| Permits Not Justified   | Distribute memo to all HSP Coordinators and Supervisors regarding verification of proper permit type. Also a reminder that all documentation supporting the permit are recorded and maintained. | October 26, 2012 | Herby Lissade<br>Acting DDD<br>Maintenance |
| Control Weakness in District 7 Maintenance  | Distribute memo to all Employees, Supervisors and Managers regarding timely completion and approval of PM-0041 of non-HSP holders if State vehicle is stored at home more than once a month.    | October 26, 2012 | Herby Lissade<br>Acting DDD<br>Maintenance |
| Pick-up truck Rentals   | District 7 Maintenance will inform DOE when utilizing the existing DGS approved Equipment Rental contract that includes pick-up trucks.   | October 26, 2012 | Herby Lissade<br>Acting DDD<br>Maintenance |

Progress reports providing feedback on the status of the work plan items will be provided at 60-day, 180-day and 360-day milestones.

If you have any questions or need additional information, please contact Duncan McIntosh, Deputy District Director of Administration at (213) 897-0362.

c: Lindy K. Lee, Chief Deputy District Director  
Duncan McIntosh, Deputy District Director, Administration  
Herby, Lissade, Acting Deputy District Director, Maintenance



# **ATTACHMENT**

## **DISTRICT 8'S RESPONSE TO THE DRAFT REPORT**

## Memorandum

*Flex your power!  
Be energy efficient!*

To: WILLIAM E. LEWIS  
Acting Assistant Director  
Audits and Investigations

Date: October 2, 2012

File: P3000-0405

From: BASEM MUALLEM  
District Director  
District 8



Subject: **Response to Draft Audit Report on Home Storage Permit Program**

Based on a review of the draft audit report and participating in the exit conference, District 8 is taking the following steps to address the findings of the audit.

### District 8 Work Plan

| Item  | Steps  | Completion Date  | Person(s) responsible  |
|---|--|------------------|--|
| Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form Procedures Not Consistently followed | Distributes memo to all HSP Coordinators, Supervisors and Managers regarding timely completion and approval of PM-0041.  | October 31, 2012 | Steve Pusey<br>DDD-Maintenance<br>Hector Davila<br>DDD-Construction<br>Syed Raza<br>DDD-Operations |
| Cartag Procedures Not Consistently Followed   | Distribute memo to all HSP holders and supervisors regarding proper completion of Cartag entries and supervisor review.  | October 31, 2012 | Steve Pusey<br>DDD-Maintenance<br>Hector Davila<br>DDD-Construction<br>Syed Raza<br>DDD-Operations |
| Permits Not Justified   | Distribute memo to all HSP Coordinators and Supervisors regarding verification of proper permit type. This will also include a reminder that all documentation supporting the permit must be properly recorded and maintained.               | October 31, 2012 | Steve Pusey<br>DDD-Maintenance<br>Hector Davila<br>DDD-Construction<br>Syed Raza<br>DDD-Operations |
| Inadequate Record keeping and Monitoring  | Distribute memo to all HSP Coordinators and Supervisors regarding timely completions of the DM-0090 and regular monitoring of such. Incorporated as part of the memo is a reminder that requestor monitoring on a monthly basis is required. | October 31, 2012 | Steve Pusey<br>DDD-Maintenance<br>Hector Davila<br>DDD-Construction<br>Syed Raza<br>DDD-Operations |

Progress reports providing feedback on the status of the work plan items will be provided at 60-, 180-, and 360-day milestones.

If you have any questions or need additional information, please contact Susan Harris, Deputy District Director of Administration at (909) 383-4576.

c: Susan Harris Deputy District Director, Administration, District 8  
Stephen Pusey, Deputy District Director, Maintenance, District 8  
Hector Davila, Deputy District Director, Construction, District 8  
Syed Raza, Deputy District Director, Traffic Operations, District 8  
Cathy Gomez, Chief, Office of Facilities Management, District 8  
Brenda Lopez, HSP Coordinator, District 8  
Kevin Yee, Audit Supervisor, Internal Audits & Investigation  
David Wong, Auditor, Audits & Investigations  
Nancy Serrato, Auditor, Audits & Investigations  
Veronica Kaldani, Auditor, Audits & Investigations